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WATER WORKS DISTRICT NO. 3 OF RAPIDES PARISH

TIOGA, LOUISIANA

DECEMBER 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-29-05

**Water Works District No. 3
of Rapides Parish**

December 31, 2004

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners
Water Works District No. 3 of
Rapides Parish

We have audited the accompanying basic financial statements of the business-type activities of Water Works District No. 3 of Rapides Parish, Tioga, Louisiana, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Water Works District No. 3 of Rapides Parish as of December 31, 2004, and the change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Water Works District No. 3 of Rapides Parish, Louisiana, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. Adoption of these statements result in a change in the format and content of the financial statements and additional note disclosures.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2005, on our consideration of Water Works District No. 3 of Rapides Parish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

MARVIN A. JUNEAU, C.P.A.	ROBERT I. LITTON, C.P.A.	MICHAEL A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A.	ROBERT W. DYORAK, C.P.A.	JAMES N. BALLARD, C.P.A.
ERNEST F. SASSER, C.P.A.	REBECCA B. MORRIS, C.P.A.	L. PAUL HOOD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Commissioners
Water Works District No. 3 of
Rapides Parish

The management's discussion and analysis presented on pages 3 through 7, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The supplemental information as listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Water Works District No. 3 of Rapides Parish. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to such basic financial statements taken as a whole.

Payne, Moore & Herrington, LLP
Certified Public Accountants

June 7, 2005

Required Supplemental Information
Management's Discussion and Analysis

**Water Works District No. 3 of Rapides Parish
Tioga, Louisiana**

Management's Discussion and Analysis

As management of the Water Works District No. 3 of Rapides Parish in Tioga, Louisiana (the District), we are pleased to provide this narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2004. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures.

Financial Highlights

- The District's net assets increased by \$432,763 over 2003.
- The District's operating revenues were \$3,041,766 which exceeded total operating expenditures of \$2,967,748, resulting in an operating income of \$74,018.
- Total non-operating income, net of expenditures, was \$70,665.
- Total net assets of \$12,819,568 are made up of the following:
 1. Capital assets, net of related debt, of \$9,675,713 include property and equipment, net of accumulated depreciation.
 2. Unrestricted assets, \$3,143,855.
- The District adjusts its water rates charged to customers each year to coincide with the annual consumer price index adjustment to fund the additional cost of normal inflation.
- In late summer, 2005, the District will issue \$4.6 million in revenue bonds to fund new construction projects including the following:
 1. Water treatment plant filter rehabilitation
 2. Construction of new one million gallon elevated storage tank
 3. Four additional water wells
 4. Upgrading numerous water mains throughout the District's distribution system.

Overview of the Financial Statements

This discussion and analysis document serves as an introduction to the District's basic financial statements. These statements not only include the financial statements and notes to those statements, but also additional information to supplement the basic financial statements. Comparative data is also presented.

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and provides a useful tool to determine improving or deteriorating financial positions.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the District's assets changed as a result of current year operations. All changes in net assets are reported when the underlying transactions occur, regardless of when actual cash flows are affected. As a result, transactions are included in this statement that will not affect cash until future periods.

**Water Works District No. 3 of Rapides Parish
Tioga, Louisiana**

Management's Discussion and Analysis (continued)

The Statement of Cash Flows presents information showing how the District's cash changed as a result of current year operations. The statement of cash flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

Financial Analysis

The District's net assets at calendar year-end were \$12,819,568. The following exhibit provides a summary of the District's net assets:

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets	\$ 3,754,474	\$ 3,382,941
Capital assets	<u>9,675,713</u>	<u>9,403,282</u>
Total Assets	<u>13,430,187</u>	<u>12,786,223</u>
 Liabilities:		
Current Liabilities	610,619	399,418
 Net Assets:		
Investment in capital assets, net of related debt	9,675,713	9,403,281
Unrestricted net assets	<u>3,143,855</u>	<u>2,983,524</u>
Total Net Assets	<u>\$ 12,819,568</u>	<u>\$ 12,386,805</u>

As of December 31, 2004, all net assets of the District were unrestricted. These assets are used to provide services to customers. However, in the current year, the District will issue revenue bonds and will restrict a portion of its assets for debt repayment.

The following represents a summary of the District's changes in net assets:

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 3,041,766	\$ 2,919,196
Non-operating revenues	<u>70,665</u>	<u>81,377</u>
Total Revenues	<u>3,112,431</u>	<u>3,000,573</u>
 Depreciation expense	666,178	651,185
Other operating expenses	<u>2,301,570</u>	<u>2,225,126</u>
Total Expenses	<u>2,967,748</u>	<u>2,876,311</u>
 Income (Loss) before Capital Contributions	144,683	124,262
 Capital Contributions	288,080	29,916
Beginning Net Assets	<u>12,386,805</u>	<u>12,232,627</u>
Ending Net Assets	<u>\$ 12,819,568</u>	<u>\$ 12,386,805</u>

**Water Works District No. 3 of Rapides Parish
Tioga, Louisiana**

Management's Discussion and Analysis (continued)

The 2004 Operating Budget for total revenue was \$3,037,300; for expenses was \$2,358,370 (excluding depreciation); generating an estimated net income, before depreciation, of \$678,930. Actual amounts varied from budget by 3% for expenses, and 2% for revenue. The following exhibit displays these amounts:

	<u>Actual</u>	<u>Budget</u>
Water Sales Income	\$ 2,907,549	\$ 2,826,000
Other Income	204,882	211,300
Expenses (excluding depreciation)	2,301,570	2,358,370

Capital contributions for 2004 were \$288,080. The District installed an 8" water main to serve its customers as well as servicing the U.S. Marshal's new facility. The District's reimbursement from federal funds constitutes 80% of the total capital contributions.

The following exhibit shows a summary of the changes in cash and cash equivalents for 2004:

Operating Income	\$ 74,018
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	666,178
Bad debt expense	4,392
Changes in operating assets and liabilities	140,497
Total Cash Provided by Operations	855,084
Cash Used for Capital Financing	(627,408)
Cash Provided by Investing Activities	98,961
Net Increase in Cash and Cash Equivalents	326,637
Cash and Cash Equivalents, Beginning of Year	390,457
Cash and Cash Equivalents, End of Year	\$ 717,094

Capital Assets and Debt Administration

The District's investment in capital assets, net of accumulated depreciation as of December 31, 2004, was \$9,675,713. The following provides a summary of activity during the year.

	<u>2004</u>	<u>2003</u>
Non-depreciable assets – land	\$ 234,384	\$ 234,384
Depreciable assets:		
Plant and equipment	2,089,442	2,300,705
Buildings and improvements	460,402	475,897
Vehicles	136,697	91,515
Furniture, fixtures and equipment	48,915	92,746
Infrastructure	6,705,873	6,208,035
Total Capital Assets (net)	\$ 9,675,713	\$ 9,403,282

Additions to capital assets for 2004 were \$938,609; total depreciation expense was \$666,178; for a net change in 2004 of \$272,431. Increases to the District's infrastructure (distribution system – water mains, water meters and connections, hydrants) were 81% of the total additions to capital assets.

**Water Works District No. 3 of Rapides Parish
Tioga, Louisiana**

Management's Discussion and Analysis (concluded)

Long-Term Debt

At December 31, 2004, the District had no long-term debt.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report, the information it contains, or if you would like to request additional information, contact the District's office, Mr. Jimmy R. French, General Manager at (318) 640-1379.

Basic Financial Statements

**Water Works District No. 3 of Rapides Parish
Statement of Net Assets
December 31, 2004**

Exhibit A

Assets		
Current Assets:		
Cash and cash equivalents		\$ 691,006
Investments		2,168,999
Accounts receivable		
Water sales	290,563	
Other	1,466	292,029
Inventories		162,748
Prepaid expenses		83,603
Total Current Assets		<u>3,398,385</u>
Restricted Assets:		
Meter Fund:		
Restricted cash and cash equivalents		26,088
Restricted investments		330,001
Total Restricted Assets		<u>356,089</u>
Non-current Assets:		
Capital assets, net of depreciation		
Nondepreciable		
Land and improvements	234,384	
Depreciable		
Plant and equipment	2,089,442	
Buildings and improvements	460,402	
Vehicles	136,697	
Furniture, fixtures and equipment	48,915	
Infrastructure	6,705,873	9,675,713
Total Non-current Assets		<u>9,675,713</u>
Total Assets		<u>13,430,187</u>
Liabilities		
Current Liabilities:		
Accounts payable		226,363
Accrued expenses		20,225
Short-term compensated absences		7,943
Total Current Liabilities		<u>254,531</u>
Restricted Liabilities		
(Payable from restricted assets)		
Customers' meter deposits		356,088
Total Liabilities		<u>610,619</u>
Net Assets		
Invested in capital assets, net of related debt		9,675,713
Unrestricted		3,143,855
Total Net Assets		<u>\$ 12,819,568</u>

The accompanying notes are an integral part of the financial statements

**Water Works District No. 3 of Rapides Parish
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2004**

Exhibit B

Operating Revenues	
Water sales	\$ 2,907,549
Delinquent surcharges	43,134
Connection fees	33,314
Other operating revenues	57,769
Total Operating Revenues	<u>3,041,766</u>
Operating Expenses	
Administration	646,848
Purification	639,976
Distribution	522,455
Meter	108,870
Production	170,130
Wells	213,291
Depreciation	666,178
Total Operating Expenses	<u>2,967,748</u>
Operating Income	74,018
Nonoperating Revenues (Expenses)	
Interest and investment income	65,104
Gain (loss) on sale of capital assets	5,561
Total Nonoperating Revenues (Expenses)	<u>70,665</u>
Change in Net Assets Before Capital Contributions	144,683
Capital Contributions in Aid of Construction	<u>288,080</u>
Change in Net Assets	432,763
Total Net Assets - Beginning of Year	12,386,805
Total Net Assets - End of Year	<u><u>\$ 12,819,568</u></u>

The accompanying notes are an integral part of the financial statements

Water Works District No. 3 of Rapides Parish
Statement of Cash Flows
For the Year Ended December 31, 2004

EXHIBIT C
Continued

Cash Provided From Operating Activities

Receipts from customers	\$ 3,018,334
Payments to suppliers for goods and services	(972,524)
Payments to employees for services and benefit costs	(1,190,726)
Net Cash Provided from Operating Activities	855,084

Cash Used By Capital and Related Financing Activities

Contributions in aid of construction	288,081
Proceeds from meter deposits	17,559
Purchase of capital assets and construction	(938,609)
Proceeds from sale of capital assets	5,561
Net Cash Used by Capital and Related Financing Activities	(627,408)

Cash Provided From Investing Activities

Interest received on interest-bearing deposits	65,104
Proceeds from maturities of investments	1,183,857
Purchase of investments	(1,150,000)
Net Cash Provided from Investing Activities	98,961

Net increase (decrease) in cash and cash equivalents

326,637

Cash and Cash Equivalents, Beginning of Year

390,457

Cash and Cash Equivalents, End of Year

\$ 717,094

Classified As:

Current Assets	691,006
Restricted Assets	26,088
Total	\$ 717,094

The accompanying notes are an integral part of the financial statements.

**Water Works District No. 3 of Rapides Parish
Statement of Cash Flow
For the Year Ended December 31, 2004**

**EXHIBIT C
Concluded**

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$	74,018
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		666,178
Bad debt expense		4,392
Changes in assets and liabilities:		
Accounts receivable		(23,433)
Inventories		(45,369)
Prepaid expenses		(14,345)
Accounts payable		166,685
Accrued expenses		19,015
Short-term compensated absences		7,943
Total Adjustments		<u>781,066</u>
 Net Cash Provided by Operating Activities	 \$	 <u><u>855,084</u></u>

The accompanying notes are an integral part of the financial statements.

**Water Works District No. 3 of Rapides Parish
December 31, 2004**

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the Water Works District No. 3 of Rapides Parish (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GAAP includes all relevant GASB pronouncements. In the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and more significant of the District's accounting policies are described below.

Reporting Entity

Upon the presentation of a petition by property owners to the Louisiana Legislature, the Rapides Parish Police Jury was made responsible for creating a water district to utilize certain water facilities at Camp Livingston which had been abandoned. As a result, Water Works District No. 3 of Rapides Parish was created by an ordinance of the Rapides Parish Police Jury on February 8, 1949. The District provides water to many individual, commercial, and municipal customers primarily in Ward 10 of Rapides Parish.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Generally, component units are legally separate organizations for which the elected officials or appointed board members of the primary government are financially accountable. Some of the criteria considered under "legally separate organization" are the capacity for the organization to have its own name, the right for the organization to sue and be sued in its own name without recourse to the primary government, and the right to buy, sell, lease, and mortgage property in its own name. Some of the criteria used to consider "financially accountable" include appointment of a voting majority of the organization's governing body, ability for primary government to impose its will on the organization, whether the organization has the potential to provide specific financial benefits to, or improve specific financial burdens on the primary government, and fiscal dependence of the organization. Based upon the application of these criteria, only the operating activities of the District are included in these financial statements.

The Water Works District No. 3 of Rapides Parish operates autonomously from the other Parish agencies. Therefore, the District reports as an independent reporting entity. This report includes all funds which are controlled by or dependent upon the Water Works District No. 3 of Rapides Parish.

Fund Accounting

A fund is a separate accounting entity with a self-balancing set of accounts. The District only has one fund, which is classified as a proprietary fund. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Where goods or services are provided to outside parties, such as customers receiving water, the proprietary fund is considered an enterprise fund.

**Water Works District No. 3 of Rapides Parish
December 31, 2004**

Notes to Basic Financial Statements

Basis of Accounting

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Proprietary funds account for operations that are primarily financed by user charges. All proprietary funds are accounted for using the accrual basis of accounting and on a flow of economic resources measurement focus. The economic resource focus is concerned with determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned, and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the district's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, benefits paid and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses

Change in Accounting Principle

The Water Works District No. 3 of Rapides Parish adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements - And Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Note Disclosures*. Adoption of these statements results in a change in the format and content of the basic financial statements and additional note disclosures.

Cash and Cash Equivalents and Investments

Cash includes amounts on hand, in demand deposits, and in time deposits. For the purpose of the statement of cash flows, the District considers all highly liquid investments with maturity of three months or less when acquired to be cash equivalents.

Investments of the District consist of certificates of deposit with maturities greater than three month, valued at cost which equals fair value.

**Water Works District No. 3 of Rapides Parish
December 31, 2004**

Notes to Basic Financial Statements

Accounts Receivable

Bad debts arising from customers' water receivables are recognized by the direct charge-off method, whereby uncollectible accounts are written off upon delinquency as they are considered uncollectible. Minimum losses are sustained since the customer's meter deposit is applied to any unpaid balance. In the opinion of management, at December 31, 2004, all receivables were collectible and an allowance for doubtful accounts was not considered necessary.

Inventories

Inventories of pipe, fittings, and other construction materials are stated at the lower of average cost or market, primarily on a first-in, first-out basis.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid expenses.

Restricted Assets

Certain proceeds related to customers' meter deposits are classified as restricted assets on the statement of net assets because their use is limited by applicable laws and regulations. The meter fund is used to account for customers' meter deposits received from and returned to customers.

Capital Assets

Capital assets are stated at cost when purchased and at fair market value when donated to the District. Improvements that add to the value of the asset or materially extend asset lives are capitalized.

Depreciation is computed using the straight-line method over the useful lives of capitalized assets.

Public domain ("infrastructure") capital assets consisting of water mains 2" to 20" in size, approximately 6,000 water meters and connections and hydrants are capitalized.

The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. The minimum capitalization threshold is any individual item with a total cost greater than \$500. There is no set threshold in which infrastructure capital assets are capitalized.

Compensated Absences

Vacation not used by the end of the year is carried over to the next year. Employees can accumulate a maximum of forty hours that may be carried forward and taken in subsequent periods.

**Water Works District No. 3 of Rapides Parish
December 31, 2004**

Notes to Basic Financial Statements

Capital Contributions in Aid of Construction

The District receives various contributions from customers in the ordinary course of business, relating to construction of waterlines and/or installation of taps and fire hydrants.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the management of the Water Works District No. 3 of Rapides Parish to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

At year-end, the Water Works District No. 3 of Rapides Parish deposits were covered by depository insurance or collateral held by the District or its agent. At December 31, 2004, the District had cash and cash equivalents (book balances) totaling \$717,094, as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 1,350	\$ -	\$ 1,350
Demand deposits	689,656	26,088	715,744
	\$ 691,006	\$ 26,088	\$ 717,094

Investments

The District may invest in United States bonds, treasury notes, or certificates of deposit at state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana, an investment as stipulated in Louisiana Revised Statute 39:1271, or any other federally insured investment.

At December 31, 2004, the District had investments totaling \$2,499,000, as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Book Balance</u>	<u>Market Value</u>
Certificates of Deposit	\$ 2,168,999	\$ 330,001	\$ 2,499,000	\$ 2,499,000

**Water Works District No. 3 of Rapides Parish
December 31, 2004**

Notes to Basic Financial Statements

3. Accounts Receivable - Water Sales

Receivables arising from water services provided to customers consist of uncollected billings rendered to customers on monthly cycle billings and estimated services provided to customers between billing cycles. At December 31, 2004, these receivables were as follows:

Uncollected cycle billings	\$ 198,767
Estimated services between cycles	<u>91,796</u>
	\$ 290,563

4. Prepaid Expenses

Prepaid expenses amount of \$83,603 consists of prepaid insurance, service contracts, and permits.

5. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Balance 12/31/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/04</u>
Business Type Activities				
Capital assets not being depreciated				
Land and improvements	\$ 234,384	\$ -	\$ -	\$ 234,384
Total capital assets not being depreciated	<u>234,384</u>	<u>-</u>	<u>-</u>	<u>234,384</u>
Other capital assets				
Plant and equipment	6,669,902	71,966	-	6,741,868
Buildings and improvements	891,481	21,191	-	912,672
Vehicles	491,305	79,988	(28,139)	543,154
Furniture, fixtures and equipment	308,664	5,393	-	314,057
Infrastructure	<u>9,629,697</u>	<u>760,071</u>	<u>-</u>	<u>10,389,768</u>
Total other capital assets	17,991,049	938,609	(28,139)	18,901,519
Accumulated depreciation				
Plant and equipment	(4,369,197)	(283,229)	-	(4,652,426)
Buildings and improvements	(415,584)	(36,686)	-	(452,270)
Vehicles	(399,790)	(34,806)	28,139	(406,457)
Furniture, fixtures and equipment	(215,918)	(49,224)	-	(265,142)
Infrastructure	<u>(3,421,662)</u>	<u>(262,233)</u>	<u>-</u>	<u>(3,683,895)</u>
Total accumulated depreciation	<u>(8,822,151)</u>	<u>(666,178)</u>	<u>28,139</u>	<u>(9,460,190)</u>
Other capital assets, net	9,168,898	272,431	-	9,441,329
Net Capital Assets	<u>\$ 9,403,282</u>	<u>\$ 272,431</u>	<u>\$ -</u>	<u>\$ 9,675,713</u>

**Water Works District No. 3 of Rapides Parish
December 31, 2004**

Notes to Basic Financial Statements

Fixed assets are being depreciated using the straight-line method over the following estimated useful lives:

Plant and equipment	2-25 years
Buildings and improvements	10-40 years
Vehicles	2-10 years
Furniture, fixtures, and equipment	3-15 years
Infrastructure	5-50 years

Total depreciation expense for the year ended December 31, 2004, was \$ 666,178.

6. Pension Plan

Employees of the District are not covered under a State of Louisiana PERS plan. They are members of the social security system.

7. Deferred Compensation Plan

The District has a tax deferred compensation plan under section 457 of the Internal Revenue Code. Under the terms of that plan, the District matches a limited portion of the employees' contribution. The District made contributions totaling \$11,156 for the year 2004.

8. Notes to Statement of Cash Flows

There were no material noncash capital, noncapital, or financing activities or investing activities that affected recognized assets or liabilities during the year.

No interest or income taxes were paid during the year.

9. Subsequent Events

The Water Works District No. 3 of Rapides Parish is preparing for an issue of \$4.6 million in revenue bonds to fund new construction projects. The projects that the district has plans to undertake when the funds are available in late summer of 2005, include:

- Water treatment plant filter rehabilitation
- Construction of new one million gallon elevated storage tank
- Four additional water wells
- Upgrading numerous water mains throughout the District's distribution system.

Supplemental Information

**Water Works District No. 3 of Rapides Parish
Schedule of Revenues, Expenses, and Changes in
Net Assets - Budget and Actual
For the Year Ended December 31, 2004**

Schedule 1

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water sales	\$ 2,826,000	\$ 2,907,549	\$ 81,549
Delinquent surcharges	45,500	43,134	(2,366)
Connection fees	31,800	33,314	1,514
Contributed capital improvements	30,000	288,080	258,080
Interest	71,500	65,104	(6,396)
Other	32,500	63,330	30,830
Totals	3,037,300	3,400,511	363,211
Expenses (Schedule 2)	4,279,870	3,240,179	1,039,691
Revenues Over Expenses	\$ (1,242,570)	\$ 160,332	\$ 1,402,902

(1) The District's budget included \$1,300,000 from prior retained earnings. This appropriation of prior retained earnings resulted in a budget surplus of \$57,430

Reconciliation of Change in Net Assets

Revenues Over Expenses	\$ 160,332
Plus:	
Capital additions	938,609
Less:	
Depreciation	666,178
<u>CHANGE IN NET ASSETS (EXHIBIT B)</u>	\$ 432,763

See independent auditor's report.

Water Works District No. 3 of Rapides Parish
 Schedule of Expenses - Budget and Actual
 For the Year Ended December 31, 2004

			Schedule 2
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENSES BY DEPARTMENT			
Administration	\$ 613,200	\$ 646,848	\$ (33,648)
Purification	717,125	639,976	77,149
Distribution	531,600	522,455	9,145
Meter	138,745	108,870	29,875
Production	177,550	170,130	7,420
Wells	180,150	213,291	(33,141)
Capital additions	1,921,500	938,609	982,891
<u>TOTALS</u>	<u>\$ 4,279,870</u>	<u>\$ 3,240,179</u>	<u>\$ 1,039,691</u>

See independent auditor's report.

**Water Works District No. 3 of Rapides Parish
Schedule of Per Diem Paid to Board Members
For the Year Ended December 31, 2004**

Schedule 3

	<u>Amount</u>
Adams, Ray E.	\$ 3,267
Byrnes, Mike	1,210
Dupree, Rich	2,662
Grand Pierre, Jules	1,210
Hailey, Otha O.	3,809
Hebron, Sr., Willie W.	3,025
Hollingsworth, Tommy J.	4,225
Kelly, Thurman	5,140
Lemoine, Bonnie	2,783
Livingston, Sharon	726
Malone, Calvin	726
O'Bannon, Eddie	1,331
Prestridge, Les	3,872
Toney, Roger	3,872
<u>TOTAL</u>	<u>\$ 37,858</u>

See independent auditor's report.

**Other Report Required by
Government Auditing Standards
and Louisiana Governmental Audit Guide**

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance With
*Government Auditing Standards***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards**

Board of Commissioners
Water Works District No. 3 of
Rapides Parish

We have audited the basic financial statements of the business-type activities of Water Works District No. 3 of Rapides Parish, Tioga, Louisiana, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Water Works District No. 3 of Rapides Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water Works District No. 3 of Rapides Parish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We notice no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

MARVIN A. JUNEAU, C.P.A.

ROBERT L. LITTON, C.P.A.

MICHAEL A. JUNEAU, C.P.A.

H. FRED RANDOW, C.P.A.

ROBERT W. DVORAK, C.P.A.

JAMES N. BALLARD, C.P.A.

ERNEST F. SASSER, C.P.A.

REBECCA B. MORRIS, C.P.A.

L. PAUL HOOD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Commissioners
Water Works District No. 3 of
Rapides Parish

This report is intended solely for the information and use of management of the Water Works District No. 3 of Rapides Parish and Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP
Certified Public Accountants

June 7, 2005

Schedule of Findings and Questioned Costs

**Water Works District No. 3 of Rapides Parish
Schedule of Findings and Questioned Costs
Year Ended December 31, 2004**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable conditions identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
<i>Management's Corrective Action Plan</i>	Not applicable	
<i>Management's Summary Schedule of Prior Audit Findings</i>	Attached	
<i>Memorandum of Other Comments and Recommendations</i>	Not applicable	
<i>Federal Awards</i>	Not applicable	

Section II - Financial Statement Findings

No financial statement findings reported.

Section III - Federal Award Findings and Questioned Costs

No federal awards were received by the Water Works District No. 3 of Rapides Parish during the year ended December 31, 2004.

**Rapides Parish Waterworks District No. 3 of Rapides Parish
Management's Schedule of Prior Year Findings
Year Ended December 31, 2004**

Finding 03-01 Bid Procedure Documentation

Summary: The bid process was not documented properly during the year ended December 31, 2003, due to the lack of internal control procedures. The auditors recommend that internal control procedures be put into effect to document the bid process.

Status: Resolved.